

## ANALYSIS OF ORIGINAL BILL

Author: Brulte Analyst: Paul Brainin Bill Number: SB 1464  
Related Bills: none Telephone: 845-3380 Introduced Date: 02-02-98

Attorney: Doug Bramhall Sponsor:

SUBJECT: HRA/Household Income Limit Inflation Adjustment

### SUMMARY

This bill would adjust for inflation, since 1977 and then annually, the household income amounts used to determine eligibility and the amount of assistance for claimants of the Homeowners and Renters Assistance program.

### EFFECTIVE DATE

This bill would be effective January 1, 1999, and specifies that it would be operative with respect to assistance provided after June 30, 1999.

### PROGRAM HISTORY/BACKGROUND

Since 1968, California has provided relief to senior citizens in the form of property tax assistance. In 1977 the program was extended to renters and was based on a property tax equivalent amount estimated to be paid by renters. Beginning in 1979, totally disabled homeowners and renters, regardless of age, became eligible for the program. This program is called Homeowners and Renters Assistance (HRA) and is administered by the Franchise Tax Board (FTB).

### SPECIFIC FINDINGS

The assistance amount under the HRA program represents a partial reimbursement of the previous fiscal year's property taxes on personal residences paid directly by homeowners and indirectly by renters. For renters, a payment of \$250 in property tax is assumed. Relief for homeowners and renters is based on a certain percentage of the property tax. This percentage varies inversely to the applicants' income levels and ranges from 4% to 96%.

To be eligible for assistance, the claimant's total household income for the prior calendar year cannot exceed \$13,200. Total household income consists of adjusted gross income (as computed for tax purposes) increased by nontaxable income including social security, cash public assistance, pensions and annuities (not otherwise taxable), unemployment insurance, tax-exempt interest, life

### DEPARTMENTS THAT MAY BE AFFECTED:

\_\_\_ STATE MANDATE

\_\_\_ GOVERNOR'S APPOINTMENT

#### Board Position:

\_\_\_ S \_\_\_ O  
\_\_\_ SA \_\_\_ OUA  
\_\_\_ N \_\_\_ NP  
\_\_\_ NA \_\_\_ NAR  
\_\_\_X\_\_\_ PENDING

#### Agency Secretary Position:

\_\_\_ S \_\_\_ O  
\_\_\_ SA \_\_\_ OUA  
\_\_\_ N \_\_\_ NP  
\_\_\_ NA \_\_\_ NAR  
DEFER TO \_\_\_

#### GOVERNOR'S OFFICE USE

Position Approved \_\_\_  
Position Disapproved \_\_\_  
Position Noted \_\_\_

Department Director

Gerald H. Goldberg

3/12/98

Agency Secretary

Date

By:

Date:

insurance proceeds, gifts in excess of \$300, and worker's compensation payments. Also, the gross household income cannot exceed \$24,000. Gross household income is total household income plus all non-cash business expenses such as depreciation, amortization, and depletion.

Claimants may file for assistance from May 15 through August 31, inclusive. However, the FTB may accept claims through June 30 of the year following that for which assistance is claimed, given certain extenuating circumstances such as documented medical disability during the normal filing period. It takes up to 15 weeks to process a claim.

**This bill** would require that all income levels eligible for assistance under current law be multiplied by 2.51 for assistance provided after June 30, 1999, and before October 31, 1999, making the maximum total household income eligible for assistance \$33,132. The 2.51 multiplier represents the increase in inflation since 1977. The bill would then require annual increases to reflect inflation.

**This bill** would apply inflation adjustment factors to both the gross household income limit and the total household income limit of the HRA program. The inflation adjustment would be based upon the larger of the California Consumer Price Index for all Urban Consumers or for Urban Wage Earners and Clerical Workers.

**This bill** would require the California Department of Industrial Relations to transmit to the FTB on or before March 1 of each year the percentages of increase in the California Consumer Price Indexes for all Urban Consumers and the Urban Wage Earners and Clerical Workers.

#### Implementation Considerations

Claims for assistance may be made between May 15 and August 31. This bill would annually adjust for inflation the gross household income figure that applies with respect to assistance provided the following July 1 through October 31, inclusive. The adjusted income amounts should be effective for all claims filed in a given year, including late-filed claims. Without such a provision, forms would not be correct for early filers (May 15 - July 1) or late filers.

This bill would require adjustments using percentages of increase in two California Consumer Price Indexes which are different from the index used to adjust the income tax brackets; personal, dependent, elderly, and blind exemption credits; and the standard deduction.

This bill would allow the California Department of Industrial Relations three months for the information to be transmitted to the FTB. The HRA booklets go to press no later than the middle of March each year. This schedule would allow about 15 calendar days for preparation, proofing, conversion, and review of forms before publication and may jeopardize the department's ability to meet booklet printing and distribution deadlines. Reducing the time frame for the California Department of Industrial Relations to transmit the information to two months (the period currently allowed for transmission of the inflation factors) would alleviate this concern.

## FISCAL IMPACT

### Departmental Costs

There would be no significant departmental costs once implementation concerns are addressed.

### Tax Revenue Estimate

It is estimated that this bill would result in revenue losses as shown in the following table:

Revenue Impact of Indexing HRA Income Limits Effective Beginning on and After June 30, 1999 \$ Millions		
1999-0	2000-1	2001-2
(\$ 5)	(\$ 5)	(\$ 5)

This estimate does not take into account any change in employment, personal income, or gross state product that might result from this bill.

### Tax Revenue Discussion

The revenue impact of this bill would depend on the number and income distribution of qualified claimants. This estimate was based on historical data for the current HRA program extrapolated to match Census data and return information for the additional residents who would qualify under the newly proposed income limits. About 20,000 California homeowners filed for property tax assistance amounting to about \$1.8 million during calendar year 1995. This bill would increase assistance to that group by slightly over \$2.5 million annually. In addition, raising the income limits would increase the number of claimants by about 15,000 additional homeowners who do not qualify under current law. The assistance to the newly qualified homeowners would amount to over \$2 million annually.

(Note: Apparently a substantial number of people could qualify for the HRA program, but for whatever reason or reasons seem not to apply. Anecdotal information indicates that, in many cases, assistance amounts do not justify the amount of time necessary to file a claim, e.g. six hours of effort for assistance amounting to \$20. This suggests that if the filers qualified for a larger amount, there might be a sizable increase in the number of claimants.)

The 2.51 adjustment in the first year reflects the estimated inflation adjustment in the California CPI for the period 1977 through 1998.

## BOARD POSITION

Pending.